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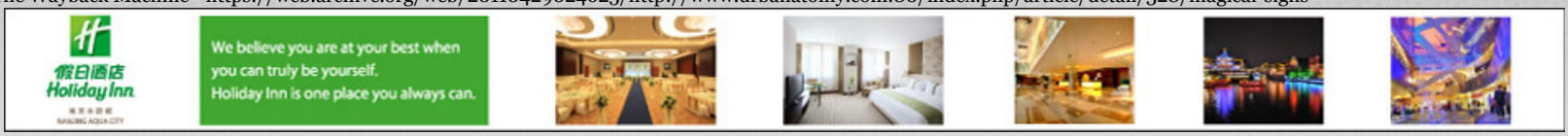

Magical Signs

by nickland @ Tuesday, 19 April 2011 12:53

Conjuring prosperity out of thin air seems like a great trick, and no one can say it hasn't been tried

Magic is mind control. Rather than making something happen by operating upon reality directly (engineering), it works indirectly, by operating upon perceptions of reality. An engineer makes something. A magician makes you think there's something, even – or especially – when there isn't.

Conventional modes of engineering don't work well in the field of economics. An economy is a highly complex system, processing huge quantities of distributed information, which is often local, informal, and vague. When engineering disciplines tackle such systems they are generally compelled to adopt 'evolutionary' approaches, cultivating innovation rather than programming specific outcomes. Elaborate computer simulations and unpredictable 'genetic algorithms' replace tightly-controlled experiments and determinable production processes. In such fields, genuine expertise fosters humility, rather than confidence. No group smaller than the entire economy could ever know enough to make the economy work.

Rather than succumbing to humility, economists (lacking genuine expertise) turned to magic instead. Inspired by their great wizard John Maynard Keynes, they wondered whether, if prosperity could not be programmed, it could nevertheless be conjured, via the systematic manipulation of public perceptions. Economic sentiment or 'animal spirits' ("the ... disobedient psychology of the business world") became an object of academic and policy attention, and its susceptibility to orchestrated, mass mind control became the sole topic of the new 'science' of macroeconomics.

In order to follow this development, it is necessary, as a preliminary, to have a clear understanding of money. Money originated, spontaneously, in the market-place, as an emergent alternative to the primordial form of trade: simple barter. In the absence of money, trade can only proceed if demand is matched – each party must desire what the other has to offer. Multi-party cycles of transaction, in which, for instance, A makes a swap with B in order to then undertake an exchange with C, soon become burdened by combinatorial explosion, inhibiting their coordination. Money resolves this problem, by providing a generally accepted commodity, equivalent to an abstraction of demand. Because money is accepted as payment for any commodity whatsoever, cycles of

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transaction can be processed automatically, without the need for complex prior arrangements.

Money is thus the commodity with maximum liquidity, since it is (approximately) as desirable to a desirable commodity (to each) on the market. Precious metals made especially suitable monetary portability, durability, malleability, homogeneity, continuous divisibility, aesthetic qualities, and – reinforcing virtue of general acceptability. Once markets had become monetized, or converted fro price system, the single greatest revolution in economic history had taken place.

Money was the most reliably exchangeable commodity, typically consisting of gold or silver, mint honest money regime, paper currency was not 'money', but rather a contract to supply a specifie precious metal upon demand (essentially a warehouse receipt). It served as an adequate substitut 'promise to pay the bearer on demand' was generally trusted. Since (real or metallic) money was payment, and not an item of consumption, there was no great obstacle to liquid or trusted paper acceptability in the market, and therefore a robust monetary function. Despite such colorful and appointment of an alchemist as Master of the Mint, amidst the rise of central banking in England, m what the market had made it until relatively recent times. The appearance of increasingly sophisti not disconnect 'money' from the prospect of ultimate substantial redemption in a medium that h with a value stemming from 'bottom-up' popular endorsement (rather than 'top-down' political o

Then, in the 20th century, things changed. In fact, they inverted. Money became magical, and ma

To Austrian School thinkers and other 'gold-bugs' the story of monetary transubstantiation into p and sorrowful one. The temptations of fractional reserve banking had long proved irresistible in t and the resulting instability (disastrous bank runs) stimulated the development of central bankin regulations, and progressive fusion of taxation and finance, led inexorably to a near-total politici Eventually the 'promise to pay' had become thoroughly disconnected from savings (deposits) and assurance, backed by potential tax revenues. The substitution of monetary policy and governmen market-generated currencies was completed with the abolition of the gold standard.

Britain had suspended the gold standard as early as the Napoleonic Wars, and similar, temporary became near-universal during the First World War. The permanent subtraction of the gold standar currency, the US dollar, was massively advanced by the Roosevelt administration in the 1930s (wh criminalized) and completed by the Nixon administration in 1971. Global financial history seeme triumph of politics over economics, and the definitive expulsion of gold (that "barbarous relic", as monetary relevance beyond that enjoyed by any priced commodity. Pure fiat currency (which is to reigned supreme.

A brief cosmological digression might cast some light on these matters (and de-materializations). all advanced civilizations are eventually exterminated by central banking would be an extravagan the case that understanding the financial history of our planet is enriched by speculative discussi ('If extraterrestrial civilizations exist, why are the skies silent?').

In a brilliant article published in Seed magazine, Geoffrey Miller proposes a solution to the Fermi don't blow themselves up," he suggests. "[T]hey just get addicted to computer games. They forge colonize space because they're too busy with runaway consumerism and virtual-reality narcissism enslave them in a Matrix; they do it to themselves, just as we are doing today. Once they turn inw pennies of pleasure, they lose the cosmic plot. They become like a self-stimulating rat, pressing a brain's ventral tegmental area, which stimulates its nucleus accumbens to release dopamine, whi

Brains have evolved to seek the cues of adaptation – short-cut signals that have proven to be relia time. In the age of advanced technology, however, reality-faking has supplanted reality, since sup pleasurable signals is a lot more 'efficient' than supplying the circumstances that neural pleasure

"I suspect that a certain period of fitness-faking narcissism is inevitable after any intelligent life e Temptation for any technological species—to shape their subjective reality to provide the cues of success without the substance. Most bright alien species probably go extinct gradually, allocating their pleasures, and less to their children. They eventually die out when the game behind all gam 'Game Over; you are out of lives and you forgot to reproduce.'"

Keynes ascended to the status of supreme economic magus by applying an equivalent insight. He social 'cue' that communicated complex realities in short-hand, affecting popular psychology thr

manipulating monetary signals – rather than addressing the resource opportunities and constrain
express – macroeconomic policy could hack straight into the pleasure centers of the population, t
of maximum 'efficiency': mood control.

Keynes accepted 'money illusion' as a given, and sought only to make it politically tractable. Beca
even if it means nothing (in terms of real purchasing power), macroeconomic policy could use 'co
direct behavior in the direction of moderate exuberance -- as Soma. Old-fashioned conceptions of
index of resources are replaced by technocratic-magical arts that construe it as a dopamine stimu
about what's happening in the economy, it's what we feel about it that matters.

... or maybe not. The next few years look set to be an unusually intriguing learning experience.

Miller's article.

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